HUD newsletter
U.S. Department of Housing and Urban Development
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Current Trends

Further evidence of the tightening of the money market occurred on September 13 when the *Chase Manhattan Bank* announced an increase in its prime rate from 7 to 7¼ percent. This rise had not been unexpected. . . as an increase in the Nation's money supply had recently been reported by the *Fed.* The *Chase* action is expected to be followed by many other banks throughout the country.

HUD Area Offices have received 1,319 *Community Development Block Grant Entitlement Applications* for Fiscal Year 1977 funding. To date. . . 1,256 applications have been approved and seven applications have been disapproved. *Funding of Entitlement Applications* has been completed in 21 ***Area Offices.***

The *Federal Home Loan Bank Board* report for August shows that mortgage interest rates for both new and existing homes increased for the fourth consecutive month. The August rate of 9.02 percent compares to 9.0 in July. . . was the same as the August 1976 rate. . . and the highest since the 9.05 rate in January 1977.

The ***FHLBB*** also reported on new home prices during August. Average sales price rose to $54,600. . . a $900 increase above July. In August 1976. . . the average was $49,600. For used homes. . . the average price was $48,000 in August. . . $600 higher than in July. . . and compared to $42,800 a year earlier. California had the dubious distinction of being the highest priced housing market in the U.S. in August. A new home in San Francisco. . . averaged $77,500. . . and for used homes. . . Los Angeles. . . averaged $73,900.

Auction yields were down as *FNMA* issued $149.0 million in 4-month commitments to purchase both *Government*-backed and conventionally-financed home mortgages. Commitments totaling $35.1 million on Government-backed mortgages at an average yield of 8.740 were issued. The average yield in the previous auction was 8.770. In the conventional auction. . . $113.9 million of commitments were issued at an average yield of 9.056. . . down from 9.057 in late August.

As of August 31. . . ***HUD*** had received 6,094 applications for housing assistance from victims of the Johnstown (Pennsylvania) area flood and it is estimated that 5,400 families will require housing assistance of some kind. . . ranging from minimal repair to mobile homes. A total of 657 families. . . (12.2 percent) have been provided with transient, temporary, or interim housing, which exceeds HUD's September 1 goal of 600 families housed. General repairs have been completed on an additional 938 homes and families are now in occupancy. These families are not counted as being housed because the heating systems in the homes have not yet been repaired.

As of the end of August. . . *HUD Field Offices* reported Section 8 construction starts of 72,151 units. . . close to *HUD's* goal of 80,000 starts this fiscal year. . . which ends September 30.

HUD's September 1 survey of mortgage market conditions showed no change in national prices and yields on ***HUD/FHA***-insured home mortgages, availability of money, or contract rates on conventional first mortgages. This was the third consecutive month that mortgage interest rates remained unchanged.

Secretary Addresses Governors

Secretary Harris has informed the Nation's Governors that the States will be offered a significant role in helping *HUD* to select and allocate *Community Development Block Grant funds* to small cities within their jurisdictions.

Speaking at the *Governors' Conference* in Detroit. . . the Secretary said the extent of the States' participation will be contingent upon tangible evidence of their interest in helping the cities and other local jurisdictions, either by supportive legislation or by financial or technical assistance.

The States' cooperative efforts, she said, should cover these problem areas:

- The control of urban and suburban sprawl and the development of land use patterns to conserve energy.
- Revitalization of older urban areas.
- Economic development relating to employment needs.
- Allocation of assisted housing to promote opportunities for low-income people and minorities.
- Protection of natural resources, including agricultural lands, flat lands, and wet lands.

While the number of eligible States cannot now be determined. . . the Secretary said millions of dollars will be available next year for this purpose.

The Secretary warned that implementation of this new approach depends upon enactment of *Community Development Block Grant* legislation presently pending in ***Congress.***

She added that the ***Department*** hopes to explore other areas of potential involvement by the States in the *CDBG Program. . .* including ***HUD's*** proposed "regional strategy" for metropolitan problems.

The ***Urban Regional Policy Group*** which she heads is working on a proposal requiring Federal agencies to allocate their bonus allotments of descretionary grant funds to communities that promote regional strategies.

Secretary Harris reminded the Governors of the ***Carter Administration's*** commitment to bring about the resurgence of economic activity in America's cities. As an example of that commitment. . . she cited the proposed change in the formula for the distribution of *Community Development Block Grant* funds to help older distressed cities.

Under the proposed new formula, she said, **Detroit** will get $66.4 million in 1980, as opposed to $31.1 under the existing formula. . . **Boston**. . . $27.2 million instead of $13.9. . . **San Francisco**. . . $29.4 million instead of $14.8. . . **Chicago**. . . $134.3 million instead of $74.2. . . and **New York City**. . . $258 million instead of $181.4.

The Secretary also assured the Governors. . . that through a ***Governors' Advisory Committee***. . . they will be given the opportunity to submit their recommendations to the ***Urban and Regional Policy Group*** before it turns over to President Carter its proposals for new initiatives and new coordinating mechanisms to deliver existing programs more effectively. The ***Group's*** final report, she said, will be made in a matter of weeks.

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Significant Decision

Commonwealth of Massachusetts v. Hills, ***U.S. District Court for Massachusetts,*** *No. 76-212-F.* The ***Court*** dismissed 22 criminal complaints against former Secretary Hills in connection with alleged *State Housing Code* violations in ***HUD***-owned properties in Boston. The ***Court*** ruled that the Secretary acted in her official capacity when she acquired and managed the properties, and that she is protected by sovereign immunity.

Elderly and Handicapped Housing Program Expanded

Secretary **Harris has announced the reservation of an additional $637 million to finance the construction or substantial rehabilitation of** about 21,000 housing units for the elderly and handicapped in the United States and Puerto Rico this fiscal year.

The funds... in the form of direct loans... will go to more than 200 private nonprofit sponsoring organizations... which were selected out of more than 1,300 applicants, who requested a total of $5.6 billion for more than 194,000 units. The reservations were authorized under *Section 202 of the Housing Act of 1959*, as amended.

Although the *Program* is designed primarily for low and moderate incomes... the occupants of *202* housing are expected to have a wide range of income... including some who need no financial assistance. But for people with income below 80 percent of the median income for the area... subsidies will be available under *HUD's Section 8 Housing Assistance Payments Program.*

Interest-free 'seed money' loans to pay for certain preliminary costs prior to construction may also be available to qualified applicants whose projects have been selected, Secretary Harris said.

In most cases... projects for the elderly were held to a maximum 150 units by the Secretary's selection committee to enable more sponsors to participate and ensure a broader geographic distribution.

More than 20 of the sponsors plan to develop group homes for the disabled. They were limited to a maximum 12 people per home. ***HUD*** further is requiring group home sponsors to scatter the homes throughout their communities, rather than in single neighborhoods or adjacent sites, in an effort to normalize living for disabled people.

Processing of applications for specific projects proposed by winning applicants will be handled by ***HUD's Area and Insuring Offices***, where final approval of detailed proposals will be made.

Eligible applicants for *Section 202* assistance may borrow direct from ***HUD*** up to 100 percent of total development costs for their projects. Loans may be repaid over a 40-year period at an interest rate based on the average rate paid by the Treasury in its borrowing activities.

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FHA Task Force Reports

The *Task Force* appointed by Secretary Harris to study the future of *FHA* has made its report. The *Report*... entitled *Revitalizing the FHA*... was submitted by the group... which was headed by Dr. Robert C. Weaver, former ***HUD*** Secretary... and calls for a strong role for ***FHA*** in the future. Concluding that ***FHA*** provides an excellent vehicle for Federal innovation and leadership in the housing field... it cautions that "phasing out or reducing the role of ***FHA*** would severely hamper our efforts to meet the Nation's housing needs."

The *Report* recommends aggressive leadership by ***FHA*** in such matters as reducing housing costs, introducing innovative construction and financing techniques, and making mortgage credit available on more reasonable terms.

Copies of the *Report* are available from *HUD's Distribution Center*, Room B-258, *HUD*, Washington, D.C. 20410.

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New Publication

Equal Housing Opportunity: The Unfinished Federal Agenda. Published by the ***Potomac Institute***... a nonprofit independent research and analysis organization, specializing in matters relating to housing, land development, etc. The book examines Federal housing policies and their day-to-day administration. **Available from *Potomac Institute*, 1501 18th St., N.W., Washington, D.C. 20036. Price $3.50 each.** Discount for quantity purchases.

FYI

HUD, American Gas Association, Edison Electric Institute, and the *National Association of Home Builders*. . . joint sponsors. . . *Seminars on Energy-Conserving Homes*. . . **Columbus, Ohio,**October 10-11; **Boston,** October 17-18; **San Francisco,** October 27-28; **Denver,** October 31-November 1; **Oklahoma City,** November 17-18; **Chicago,** November 21-22; **Phoenix,** December 1-2; and **New Orleans,** December 14-15. **Details:** ***Training and Education Department, NAHB,* 15th & M Sts., N.W., Washington, D.C. 20005 (202/452-0200).**

Mortgage Bankers Association of America. . . *64th Annual Convention*. . . New York City, October 23-26. **Details:** ***MBA,* 1125 Fifteenth St., N.W., Washington, D.C. 20005 (202/785-8333).**

National Leased Housing Association. . . *Three 1-day workshops on Section 11(b) Tax-Exempt Financing and Conventional Financing of Section 8 Projects*. . . **New York City,** October 28. . . **Chicago,** November 2. . . **San Francisco,** November 4. **Details:** ***NLHA,* 1800 M St., N.W., Suite 400 South, Washington, D.C. 20036 (202/785-8888).**

American Association of State Highway and Transportation Officials. . . *Annual Convention*. . . Atlantic City, October 30-November 2. **Details:** ***AASHTO,* 341 National Press Bldg., Washington, D.C. 20004 (202/628-2438).**

International City Management Association. . . *63rd Annual Conference*. . . Atlanta, October 30-November 3. Theme: *People, Politics, and Professionalism.* **Details:** ***ICMA,* 1140 Connecticut Ave., N.W., Washington, D.C. 20036 (202/293-2200).**

Producers' Council. . . *Building and Construction Exposition and Conference*. . . Chicago, November 1-3. **Details:** ***BCEC,* 331 Madison Ave., New York, N.Y. 10017 (212/682-4802).**

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